



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0235	Title:	Revise limited liability company law
Primary Sponsor:	Kottel, Deborah	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: This bill does not have any estimated fiscal impact to the state.

FISCAL ANALYSIS

Assumptions:

1. This legislation would add a new category of limited liability company, called a low-profit limited liability company (LLC). It also details naming requirements for a low-profit limited liability company, and provides for administrative dissolution of low-profit limited liability companies.
2. To be a low-profit limited liability company, an entity must have as its business purpose in its articles of organization furthering the accomplishment of one or more charitable or educational purposes, as defined by federal law (organization operated exclusively for religious, charitable, scientific, literary or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals). The low-profit limited liability company may not have as its purpose the accomplishment of political or legislative activities, as defined by federal law.
3. The LLC may not have as its purpose the production of income or the appreciation of property. However, an LLC can produce significant income or capital appreciation and that fact, absent other factors, is not conclusive evidence that its intent is to produce significant income or property appreciation.
4. Limited liability companies are not assessed taxes, but when proceeds from LLC activities are distributed to members, the members pay taxes on their income as individual taxpayers. LLCs can be taxed at the

entity level if they choose by making an election at the federal level. The state follows the federal election. For the purposes of this fiscal note, it is assumed that these new entities would be treated the same as existing LLCs for tax purposes.

5. The name of a low-profit limited liability company must contain the words “low-profit limited liability company” or the abbreviations “L3C” or “l3c”. An LLC who fails to remit fees required by law; who has ceased having a charitable or educational purpose as required under law; or who has procured its certificate of existence through fraud, can be dissolved involuntarily by order of the Secretary of State.
6. This is a new form of organizational or business structure. To date one state, Vermont, is known to have passed legislation allowing this type of structure (http://www.sec.state.vt.us/corps/dobiz/llc/llc_l3c.htm). The impact on DOR costs due to possible compliance and audit activity is unknown. Some tax forms and instructions will need to be revised to recognize the existence of LLCs. No additional costs are estimated in this fiscal note.
7. The bill does not have a specified effective date so the effective date is October 1, 2009.

Technical Notes:

1. This bill creates a new form of entity in Montana—a low-profit LLC—but does not contain any substantive provisions or protections.

Sponsor's Initials

Date

Budget Director's Initials

Date